

SOUTH DAKOTA STATE RAILROAD BOARD MEETING
Becker-Hansen Building – Commission Room
May 18, 2016 @ 11:00 AM
Pierre, South Dakota

MEMBERS: Todd Yeaton, Chair
Carl Anderson via phone
Jeff Burket
Jerry Cope
Sheldon Cotton
Gary Doering
Harlan Quenzer

OTHERS: Lester Thompson, John Parliament, Alex Huff, John Hauck, Ken Cotton, Kim Halverson, Tom Greenway, Rick Vallery, Blake Jones, Rick Spiering, Micah Powell, Shawn Engel, Steve Guthie, Walter Wendland, Tonya Aldrich, Mike Williams, John Garner, Brian Hammerbeck, and Dustin Buntrock.

STAFF: Darin Bergquist, Joel Jundt, Bruce Lindholm, Karla Engle, Lynn Kennison (via phone), Misty Siedschlaw, Bonnie Olson, Dave Voeltz, and Tessa Wenner.

PHONE: Bob Mercer and John LeSeur

Agenda Items:

Call to order

- 1) Approve the minutes of meeting on April 18, 2016
- 2) Consideration of MRC maintenance plan and committee report follow up
- 3) Consideration of Sully County RRA-Ring Neck Energy Loan
- 4) Consideration of MRC RRA lease & sublease Amendment 1
- 5) Consideration of sale of property located in Prescho, SD
- 6) Consideration of Dakota Southern connection to mainline on MRC line
- 7) Consideration of MRC Meet and Pass Siding
- 8) Discussion on Sioux Valley & Napa-Platte committee report
- 9) Update on MRC Project

Chair Yeaton called the regular meeting of the South Dakota State Railroad Board (the "Board") to order at 9:00 AM with a quorum present.

Motion by Cope, second by Burket, to approve the April 18, 2016, Railroad Board Meeting minutes. Motion carried by roll call vote (all aye).

2) Consideration of MRC maintenance plan and committee report follow up

Mike Williams presented the Board with Dakota Southern Railroad Company's (Dakota Southern) written maintenance plan for the Mitchell to Rapid City (MRC) line. The plan, entitled "MRC Maintenance Program 2016", outlined Dakota Southern's main goals for the line from Mitchell to Chamberlain. The Board considered the plan and chose to continue on with the other agenda items. No vote was taken at this time.

The Chair permitted Williams to address the condition of the Napa-Platte line, an item later in the Board's agenda. Williams informed the Board about Dakota Southern's planned maintenance activities for the Napa-Platte line, including weed spraying.

Chair Yeaton requested that Williams stay until the end of the meeting.

3) Consideration of Sully County RRA-Ring Neck Energy Loan

Walt Wendland, President of Ring-neck Energy & Feed, LLC ("Ringneck Energy"), addressed the Board concerning a proposed loan to Sully County Regional Railroad Authority for railroad facilities at Ringneck Energy's planned ethanol plant near Onida, South Dakota. The loan would be in the amount of \$5,078,423 for the purpose of constructing a loop track at the plant.

Motion by Quenzer, second by Cotton, to table the Sully County Regional Railroad Authority/Ringneck Energy loan request. Motion carried by roll call vote (all aye)

Chair Yeaton proceeded to agenda item 5, consideration of sale of property located in Presho, SD

Jerry Cope recused himself from the discussion and vote on agenda item 5.

5) Consideration of sale of property located in Presho, SD

Dakota Mill & Grain, Inc. submitted a request to the Board to allow Dakota Mill and Grain, Inc. to purchase the following state owned right of way property located in Presho, South Dakota: Lots R3, R4, R5, and R6, Dakota Mill and Grain Addition in the Northeast Quarter of the Southwest Quarter of Section 10, Township 105 North, Range 77 West of the 5th P.M., Lyman County, South Dakota. Dakota Mill & Grain,

Inc. is requesting permission to continue with appraisal work on the property and approval of the sale once the appraisal work is completed.

Motion by Quenzer, second by Doering, to allow Dakota Mill & Grain, Inc. to obtain an appraisal of the property and approve the sale of the property at the appraised value.

Motion carried by roll call vote (6 aye, Cope recused).

Resolution 2016-B14 was adopted.

4) Consideration of MRC RRA lease & sublease Amendment 1

Bruce Lindholm addressed the Board. Lindholm requested clarification from the Board regarding application of the \$50 per car surcharge which was imposed under the previously approved amendment to the MRC Regional Railroad Authority lease (910866) and sublease (910867) agreements.

Motion by Cotton, second by Cope, to amend the lease and sublease agreements effective January 1, 2015, to exclude any established or new rail shippers located within the first 3.5 miles of the MRC line immediately west of the BNSF switch near Mitchell (milepost 374.55 to milepost 378.00) from the \$50 surcharge that applies to other traffic on the MRC line, as long as their shipments do not extend west of the first 3.5 miles of line.

Motion carried by roll call vote (5 aye, 1 nay [Quenzer]).

Resolution 2016 – B13 was adopted.

6) Consideration of Dakota Southern connection to mainline on MRC line

Dakota Southern requested approval from the Board to install two switches located at approximately milepost 415.5 and milepost 413.5 of the MRC line at Dakota Southern's sole cost. The two switches would lead to sidings for car storage located on private property. Approval of this request would require rescinding prior approval granted by the Board to install the switches and siding for car storage entirely on state-owned property.

Motion by Cotton, second by Quenzer, to rescind the Board's prior approval and grant permission to Dakota Southern to install two switches at approximately milepost 415.5 and milepost 413.5 to connect to storage sidings built on private property.

Motion by Cotton to amend the original motion to prohibit storage of hazardous material on the siding. This motion was seconded by Quenzer.

With the consent of the second (Quenzer), Cotton withdrew his motion to amend and his original motion.

Motion by Cotton, second by Quenzer, to: (1) rescind the prior approval for Dakota Southern to construct two switches and car storage sidings entirely within state-owned property; and (2) approve the installation of switches at approximately milepost 415.5 and milepost 413.5 for connection to sidings located on private property, with the additional restriction that hazardous materials may not be stored on the sidings without prior Board approval.

Motion carried by roll call vote (all aye).

Resolution 2016-B15 was adopted.

7) Consideration of MRC Meet and Pass Siding

To plan for the possibility of meet-and-pass sidings on the MRC line, the department requested approval from the Board to contract for preliminary engineering and a wetland mitigation study for up to four areas located on the MRC rail line.

Motion by Cope, second by Doering, to authorize the department to contract for preliminary engineering work and a wetland mitigation study relating to meet-and-pass sidings for up to four areas located on the MRC rail line.

Motion carried by roll call vote (all aye).

Resolution 2016-B16 was adopted.

Harlan Quenzer, Railroad Board Member

8) Discussion on Sioux Valley & Napa-Platte committee report

A committee of the Board, consisting of Quenzer, Cotton, and Doering, along with Department staff, made observations of the condition of the Sioux Valley and Napa-Platte rail lines and provided the Board with a summary of their observations.

Chair Yeaton requested that the subject of farming/ranching encroachment of rail lines be added to next month's agenda.

9) Update on MRC Project

Bruce Lindholm updated the Board on the status of the MRC project. The project is on schedule.

Motion by Burket, second by Doering, to enter into executive session at 2:10 PM to consult with legal counsel on pending legal and contractual matters. Motion carried by roll call vote (all aye).

The Board reconvened at 3:37 PM.

Chair Yeaton returned to agenda Item 2, consideration of MRC maintenance plan and committee report follow up.

Motion by Quenzer, second by Cope, to require Dakota Southern to complete the following work within 90 days in order to correct maintenance deficiencies identified in the State's inspection of the subleased MRC line:

- (1) Dakota Southern must perform all of the maintenance work identified in the "MRC Maintenance Program 2016" submitted by Dakota Southern, with the additional requirement that Dakota Southern will provide 10,000 tons of ballast on the line instead of the lesser amount proposed in the program;
- (2) Dakota Southern must remove and properly dispose of all junk ties located in the Chamberlain Yard; and,
- (3) Dakota Southern must submit to the Board for its review, consideration, and possible acceptance, a three-year maintenance plan that ensure compliance with the terms and conditions of the lease and sublease.

Motion carried by roll call vote (all aye).

Resolution 2016-B17 was adopted.

The meeting was adjourned at 3:50 PM upon a motion for adjournment by Cotton, second by Doering.

Next meeting is scheduled for June 15, 2016, at 11:00 AM.